Belgium Standard Limited
Annual Report
1972

Belgium Standard Limited

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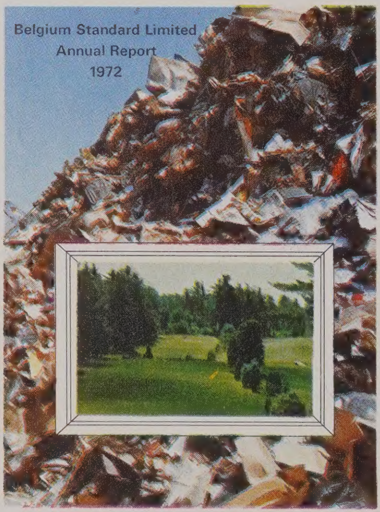
Annual Meeting of Shareholders

This year's shareholders' meeting will be held at 11.00 a.m. Friday, June 29, 1973 at Montreal Airport Hilton Hotel, Dorval, Quebec.



THE COVER:

"WINDOW ON ECOLOGY"

CONCEPT OF CONVERTING SOLID WASTE TO GREEN BELT AREAS.

Pour recevoir ce rapport annuel en français, s'il vous plaît écrivez à:

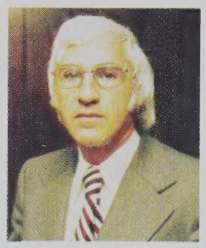
Shareholder Relations Department,
Belgium Standard Limited,
9501 Ray Lawson Boulevard,
Montreal 438, Quebec.

Belgium Standard Limited
Corporate Directory

Board of Directors


Edward R. Norman


George M. Hobart


Harold H. Davis


Robert D. Schulman


Arthur D. Dalfen

Board of Directors
Arthur D. Dalfen, Montreal, Quebec
Harold H. Davis, Toronto, Ontario
George M. Hobart, Montreal, Quebec
Edward R. Norman, Toronto, Ontario
Robert D. Schulman, New York City, New York

Officers
Harold H. Davis, President & Treasurer
Arthur D. Dalfen, Vice President
Edward R. Norman C.A., Secretary

Counsel
Fasken & Calvin
Toronto, Ontario

Schulman & Gasarch
New York City, New York

Auditors
Campbell, Sharp, Nash & Field
Toronto, Ontario

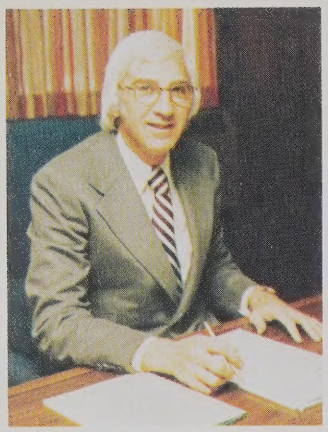
Transfer Agent and Registrar
Canada Permanent Trust Company
Montreal, Toronto, St. John and Halifax

Bankers
The Toronto-Dominion Bank

Stock Listing
Canadian Stock Exchange
Symbol—BLG

Head Office
9501 Ray Lawson Boulevard
Montreal 438, Quebec
(514) 352-2020

Executive Office
35 University Avenue East
Waterloo, Ontario
(519) 576-4270



Letter to Our Shareholders

Operating Results

Revenues and consolidated net earnings for 1972 set new records of $7,616,112 and $145,090 respectively. Included in these operating results is a gain on sale of securities of $126,720. After providing for preferred dividends and adjusting for the two for one stock split effected in January 1973, earnings were $0.13 per share based on the weighted average number of shares outstanding during the year. However, there were two extraordinary items in 1972 totalling $288,034 which reduced the operating results to a net loss of $142,944 or $0.15 per share. These figures compare with 1971 revenues of $4,240,386 and earnings of $94,370 or $0.08 per share.

The year 1972 was one of unprecedented activity and progress for Belgium Standard with the building of the operating foundation in the fields of waste management, automotive aftermarket, transport and material handling equipment. 1973 sales are expected to exceed $18,000,000 based solely from present operations and reflecting those acquisitions that contributed for only short periods to the 1972 financial results. Indicating a trend in this direction, we are pleased to report that revenues for the first quarter ended March 31, 1973 were $4,115,852 and earnings were $83,298 or $0.07 per share.

Waste Management Division

The company extended its solid waste management services from the manufacture of Pac-King refuse compactor equipment and of Shu-Pak garbage trucks to include the manufacture of refuse containers, the collection of refuse in Toronto and Montreal and the recovery of metals and other materials from a recycling plant.

Last September Belgium Standard purchased Sanitary Refuse Collectors Incorporated, the largest refuse hauling contractor in Montreal and probably the largest single unit of its kind in North America. Sanitary employs over 500 people, operates a fleet of 150 trucks, serves 26 municipalities in the Greater Montreal area as well as a diversified list of industrial and commercial customers, and recently resumed operations of its conversion plant. Late in 1972 Sanitary Refuse acquired several Montreal-based refuse hauling contractors, all of which have since been assimilated into its own organization: LaSalle Refuse Disposal Incorporated, A & S Contractors Company Limited, Enterprises B & C Ltée, Enterprises F & G Ltée and Service Sanitaire de Montréal Ltée. Sanitary and its subsidiaries are expected to generate sales in 1973 of approximately $8,500,000.

Early this year Sanitary resumed operations of its recycling and conversion plant, built at an original cost of approximately $800,000 and considered to be one of the most modern plants of its kind. This facility is being utilized to recover metal from incinerator waste and contracts have been signed for both the supply of the waste and the sale of the recovered metals. As well, the plant will be tested shortly as an economically viable transfer station to be used as an intermediary for the transportation of refuse to disposal sites.

In June 1972, Belgium Standard acquired 80 per cent of Dominion Disposal Limited, with a particular view of improving the marketing of the Pac-King line of refuse compactors in Toronto, as well as to provide a full waste management service in the Toronto area. As is typical of an incipient business, Dominion incurred start-up losses, largely because of the extended lead time required to place new vehicles into service. However, we anticipate that this operation should be profitable in 1973.

Automotive Division

As well as expanding in the waste management field last year, management decided to build aggres-

sively on the base of its six Ontario automotive aftermarket operations by acquiring five additional outlets. Considerable time was devoted to reviewing the market potential and seeking out and evaluating potential acquisition candidates. As a result, agreements were concluded for the purchase of two of Ontario's leading automotive jobbing and industrial supply houses: Helpert Supply (1962) Limited of Sudbury from Charles Helpert and United Supply Limited of Timmins from Jack Helpert. Both Charles and Jack Helpert, who enjoy an excellent reputation in the industry, are presently contributing their managerial expertise to the overall development of the division. In addition, Belgium Standard is continuing its policy of seeking out additional locations for the distribution of automotive parts and accessories.

Shattuck Denn Mining Corporation

Management expended a considerable amount of time, effort and funds in the first half of 1972 in an attempt to acquire control of Shattuck Denn Mining Corporation, an American public company engaged in the sale of products and services to the construction industry. Although Belgium Standard acquired a 25 per cent interest in Shattuck and associates of Belgium Standard purchased a further 23 per cent holding, the Board of Directors of Shattuck strenuously resisted the take-over attempt with the result that the prudent course to take was to dispose of the investment. The net loss of $82,153 reflected as an extraordinary item in the 1972 earnings statement represents the legal and other costs incurred in this matter.

Deferred Development Costs

The other special item in the 1972 earnings statement reflects the write-off of a net amount of $205,881 relating to research and marketing costs of the Pac-King refuse compaction program. These costs, incurred in 1970 and 1971, were originally deferred and were to have been amortized against future sales over a maximum period of five years. As the originally anticipated sales volume had not yet been fully realized, management took the decision to charge 1972 earnings with the balance of the unamortized development costs as recorded at the end of the year.

Common Stock Underwriting

The financing of acquisitions in the waste management and automotive aftermarket fields was made possible by proceeds of a share offering in September, 1972 whereby Belgium Standard issued 200,000 treasury shares through the facilities of the Canadian Stock Exchange to yield the company $1,950,000. The shares offered were accompanied by warrants to purchase a further 200,000 common shares, exercisable at $11 per share up to September 15, 1973 and then at $12 per share up to September 13, 1974. All figures have been adjusted to reflect the recent two for one stock split.

Other Developments

Following approval at the Special General Shareholders Meeting held on January 15, 1973 the company obtained supplementary letters patent subdividing the then authorized and issued common stock on a two for one basis thereby increasing the authorized common stock to 3,000,000 shares—the objective being to further broaden and diversify the public ownership of the company.

At the same meeting the shareholders approved the change in Belgium Standard's head office to Montreal from Toronto. The company's Head Office is now located at the office of its principal subsidiary, Sanitary Refuse Collectors Incorporated, 9501 Ray Lawson Boulevard, Montreal, Quebec. Executive offices are maintained in Waterloo, Ontario, the head office location of Belgium Standard Industries (Ontario) Limited, another major subsidiary.

It is our belief that we have the financial capabilities, an outstanding group of entrepreneural managers and dedicated employees to make 1973 an exciting year of growth.

Submitted on behalf of the Board

Harold H. Davis
President
April 19, 1973

the solid waste industry

Within the short period of one year, Belgium Standard Limited, through internal growth and acquisition, has become a major fully integrated solid waste systems corporation. While statistics on the solid waste industry are not readily available due to the difficulty of conducting complete

surveys in what is still a fragmented industry, suffice it to say that it is reliably estimated that Canadians produce no less than 30 million tons of solid waste annually (excluding tonnage of abandoned autos, stoves, refrigerators, furniture, etc.), and that over $400 million a year is spent in the collection, disposal and processing of solid wastes.

Urban refuse, the primary concern of waste management service companies, ranges from the heterogeneous garbage, bottles and cans of individuals to the more uniform waste of commercial and industrial firms in the form of paper, scrap metal, rags, tires, etc. Urban refuse is increasing at about six to seven per cent annually as a result of an expanding economy and population, higher levels of personal income and expenditures, an increasing proportion of 18–40 year old consumers, the urbanization trend and the built-in obsolescence, disposability and convenience features of consumer products.

In the past, expediency has prevailed in collecting and disposing of most of these vast quantities of waste. "Get rid of it and out of sight" has tended to be the practice. Disposal methods of urban waste until very recently have been inadequate—from dumping at sea or into open dumps to burning in air-polluting incinerators. An ecologically sound alternative

in solving waste disposal problems is the storing of refuse in sanitary landfills (dumping sites where solid waste is deposited, compacted and covered daily with layers of compacted earth, thus avoiding the odor, disease, water contamination and the unsightly features generally

Incinerator residue at the initial unloading stage at the Montreal recycling plant.

Sanitary Refuse's Caughnawaga landfill site.

associated with open dumps). Sanitary landfills are thought to be the most economical and technically feasible method of disposing of large quantities of waste. These landfill sites can eventually become landscaped parklands, golf courses, and "green" recreational or commercial areas.

Belgium Standard is a leader of the many revolutionary changes now encompassing the solid waste industry. The industry is being modernized, dumping at sea is now largely

against the law and open dumps are being closed down by pollution-conscious municipalities. Companies like Belgium Standard are producing innovative equipment, such as refuse compactors and specially designed, economically operated garbage collection trucks, and recycling efforts are being speeded up. Currently only limited attention is being devoted to the recoverable resources in waste materials. Belgium Standard is probably the only company in Canada that operates its own recycling facilities to recover metals from every-day garbage and then sells the recycled products.

The industry is becoming more capital

intensive due to mechanization requiring expensive and sophisticated equipment. As a result, a highly fragmented number of small local operators is being consolidated through acquisition by more efficiently operated and well financed publicly-owned solid waste collection specialists that take a professional "systems" approach to the functions of the industry. Additionally, small privately-owned operators are likely to become more and more absorbed into the larger organizations as the profit margins of the former are squeezed by tighter federal and local anti-pollution regulations and moves by local governments to set minimum standards and collection rates.

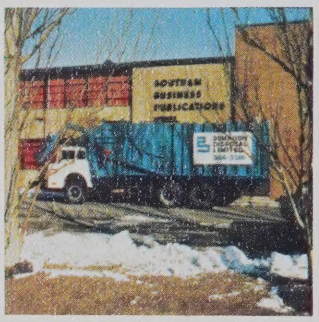
One of the front end loading garbage trucks in operation picking up a compactor container at a customer's premises.

Residue of incinerated waste awaiting separation at the Montreal recycling plant.

solid waste operations

Belgium Standard is one of the few fully integrated companies specializing in the development of environmentally sound waste handling equipment and systems. These consist of the collection, processing and disposal of solid waste for commercial, industrial and residential customers. Also, the company manufactures the whole gamut of waste disposal equipment including refuse compactors, containers and refuse collection trucks. A main impetus behind Belgium Standard's achievements is the development of an outstanding group of management staff whose talents are acknowledged throughout the waste management industry in Canada.

Collection



Solid waste collection services are provided for over 3,000 commercial and industrial customers, in addition to residential contracts. In Montreal the company's wholly-owned subsidiary, Sanitary Refuse Collectors Incorporated, is probably the largest single refuse collection company in North America. In Toronto, Dominion Disposal Limited is a much smaller unit but is growing rapidly and in its short period of operation has succeeded in winning several important commercial contracts.

Commercial and industrial services include analysis of customer requirements, providing storage containers on customer premises at points of refuse accumulation as well as stationary compaction equipment in some cases, collection of refuse, the operation of a transfer station and the transportation of refuse to municipal and leased sanitary landfills. Residential services are similar except that containers are not provided. Collection vehicles used by both Sanitary and Dominion Disposal include the conventional roll-off container trucks and rear, front and side loading compactors with the most efficient equipment being used for each service.

Refuse collection in Old Montreal.

Part of the radio-dispatched fleet of garbage collection vehicles at the Sanitary Refuse Ville d'Anjou compound.

Processing and Disposal

Transfer stations provide the fastest and most economical solution to solid waste handling problems for both municipalities and industry. Sanitary's operations include a transfer station

—a central collection point where solid waste is loaded into trailers for less costly transport to sanitary landfill sites and/or municipal incinerators. Sanitary's recycling recovery facilities, that presently utilize incinerated waste as a source of raw materials for new products, include a specially-constructed Canadian National Railways branch-line that facilitates the transport of recycled metals to their end user. In a time when industry and government are becoming more concerned with the rapid consumption of our natural resources, this recycling system offers substantial promise in both pollution control and conservation.

Manufacturing

Belgium Standard manufactures in Stratford, Ontario, the fully patented line of Pac-King stationary refuse compactors that are designed to compact garbage into about one-fifth of its original volume. This equipment, which helps eliminate pollution problems caused by on-site incineration of refuse, has been widely acclaimed in trade circles throughout the world, and sales, distribution and service networks have been set up in Canada, the United States and Europe. One of the major advantages of the Pac-King refuse compaction system is that

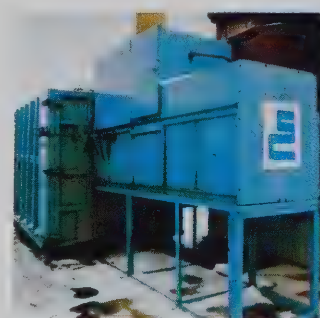
unlike its competition, the mechanism is based on a simple ball-bearing "screw" actuator rather than on the more expensive and less trouble-free hydraulic oil system. The Belgium Standard screw compactor has proven to be more reliable, lends itself to easier maintenance and is priced very competitively.

A model MK-2 bag packer compactor installed beneath a garbage chute in an older apartment building.

The use of sanitary landfill at Nuns' Island, Montreal, resulting in the creation of this attractive golf course.

The Pac-King line offers five different sizes of compaction equipment. The Model MK-2 is specifically designed for use in apartment buildings where compaction directly into truck removable steel containers is impractical. Older buildings that presently incinerate garbage and are now faced with anti-pollution by-laws can easily be converted to the revolutionary MK-2 system. Major advantages of the system include an electric photo-cell control which automatically sets the machine in motion when garbage reaches a certain level. The "eye" control mechanism sparks the compaction of the refuse and extrudes it into polyethylene cartridges that are broken up into ten easy-to-collect 50–60 pound bags for final disposal to the street.

The Model 50 is a new addition to the line and is an economically priced machine developed for small apartment buildings and commercial applications such as restaurants, motels and service stations. The Model 100 is designed to service the requirements of the modern high-rise apartment or office building and compacts into two to four cubic yard steel containers. The Model 150 is designed primarily for supermarkets, drive-in restaurants, hospitals, hotels and light to medium duty applications. There are two versions available



of the Model 150 for maximum versatility—top feed, "open" or a "closed" version with side-loading safety lock door. Installations have been made in the Chateau Champlain, Montreal, Mount Sinai Hospital and the Toronto Star Building, Toronto, and McDonald's restaurants.

Modern high-rise apartment buildings are typical users of the Model 100 Pac-King compactor.

Model 175 Pac-King refuse compactor installed in the Chateau Champlain Hotel, Montreal

The fifth compactor is the Model 175 which is designed for industrial plants, universities and shopping plazas generating large volumes of daily waste. Like the Model 150, the Model 175 is capable of operating either inside or outside building premises. Work on a new giant compactor, the Model 200, is past the drawing board stage and should be ready for production shortly after a full evaluation under field tests.

The Shu-Pak one-man curbside refuse collection truck is designed and engineered by an American company and manufactured in Canada by Belgium Standard under an exclusive license. Both private haulers and

municipalities have proven the Shu-Pak refuse packer to be one of the most efficient pieces of equipment in residential door-to-door collections. Among several municipalities currently using the Shu-Pak are Vancouver, Guelph, Waterloo and North Bay. In addition, Belgium Standard is actively considering the manufacture of front end loading trucks as well as rear loading packer vehicles.

A development instituted only last fall is the manufacture of steel refuse containers, engineered to rigid standards and built to withstand repeated high compaction pressures, and ranging in size from two cubic yards to 40 cubic yards. The containers, detachable and mounted on casters for mobility, are sold to waste management companies and are generally offered to the user as part of a "packaged collection" system. Dominion Disposal uses a large quantity of containers in it's refuse hauling operations. Plans are afoot to supply Sanitary Refuse with company-made containers as and when the need for new containers arises. To date, Sanitary Refuse has made its own garbage containers ranging in size from 20 to 42 cubic yards.

One of the roll-off vehicles of Dominion Disposal, with an open refuse container manufactured at the Waterloo plant.

One-man Shu-Pak refuse collection vehicle with dual steering wheels and driving control levers, used by the Municipality of Waterloo, Ontario.

other operations

Transportation Equipment

At Waterloo, Ontario, all types of highly specialized aluminum truck mounted bodies and highway trailers are manufactured to meet the specific requirements of customers in the agricultural, construction, highway transport and other industries. Examples of products include bulk feed grain bodies, special body designs to transport bulk explosives, rear loading units to assist the rendering industry, and large capacity trailers to carry and unload plastic prells. Many of the truck bodies are manufactured using its patented designs. Belgium Standard has established a very good relationship with major explosives, chemical and feed manufacturers, such as C.I.L., United Co-Op, Master Feeds, Ralston-Purina, Swift Canadian and Monsanto. The order backlog for truck bodies and trailers is the highest in history and to take care of this position a new plant extension was completed at year end.

Materials Handling Equipment

The company's power belt and gravity roller conveyors, all of which are sold under the Rolmaster trade name, are made at the Stratford manufacturing facility and distributed across Canada through materials handling dealers. Systems are sold to supermarket chains, brewers' outlets and to a variety of manufacturers for assembly operations.

A typical supermarket rolmaster checkout counter installation.

One of the highly specialized products designed and built by Belgium Standard —a complex bulk explosive carrying and metering vehicle.

Automotive Aftermarket

Belgium Standard continues to be one of the leading engine rebuilders and automotive parts suppliers in southern Ontario with outlets in Hamilton, St. Catharines and Windsor. Through the recent acquisition of Helpert Supply (1962) Limited with locations in Sudbury and Sault Ste. Marie, and United Supply Limited with locations in Timmins, Cochrane and Kapuskasing, the company's auto parts outlets now total eleven.

The basic business of Belgium Standard's automotive outlets involves the sale of spark plugs, filters, bearings, gaskets and seals, batteries, ignition parts, shock absorbers, transmissions, generators and other parts to truck fleets, service stations and industrial plants. In addition the company's Hamilton engine rebuilding machine shop specializes in the custom rebuilding and reconditioning of all types of industrial automotive and diesel engines—from giant crane engines to engines of fork lift trucks, bull-dozers and automobiles.

The Waco Automotive Pumps Division specializes in the rebuilding of automotive water pumps under the well-established Waco brand name and also under private label. Approximately 30,000 water pumps are rebuilt each year.

Headquartered in Windsor, Stewart McLaren Corporation, another subsidiary, is the exclusive Ontario and Quebec distributor of the Riker premium-quality line of industrial mufflers, tubing, tail pipes and related accessory parts. These products are used in transport truck and bus exhaust systems by such customers as the Ottawa Transport Commission.

Installation of a Waco automotive water pump.

The Ottawa Transport Commission utilizes the Riker muffler system on its buses.

Belgium Standard Limited

Consolidated Balance Sheet

As at December 31, 1972 and 1971

	1972	1971
ASSETS		
Current		
Cash	$ 72,878	$ 48,264
Accounts receivable	2,254,353	753,885
Inventories (Note 2)	2,075,413	1,216,057
Investment, at cost	—	105,283
Income taxes recoverable	—	3,126
Other	266,780	26,726
	4,669,424	2,153,341
Fixed, at cost		
Buildings	1,236,430	220,760
Machinery and equipment	1,654,176	598,061
Vehicles	2,905,650	146,639
	5,796,256	965,460
Less: Accumulated depreciation	3,088,124	594,114
	2,708,132	371,346
Land	653,924	25,880
	3,362,056	397,226
Other		
Deferred development costs (Note 3)	—	396,130
Deposits on contracts	103,500	—
Goodwill, at cost	2,678,789	451,221
Deferred income taxes	235,712	—
	3,018,001	847,351
	$11,049,481	$ 3,397,918

On behalf of the Board

Hardy H. Davis Director

E. Norman Director

		1972	1971
LIABILITIES			
Current			
Bank advances—secured (Note 4)		$ 719,249	$ 425,000
Accounts payable and accrued liabilities		1,769,485	359,104
Income taxes payable		194,475	—
Current portion of long-term debt		461,048	75,520
Purchase of subsidiaries		572,479	—
		3,716,736	859,624
Purchase of Subsidiaries (Note 7)		790,000	—
Long-Term Debt (Note 5)		2,360,777	145,435
		6,867,513	1,005,059
SHAREHOLDERS' EQUITY			
Capital Stock (Note 8)			
Authorized			
25,000	Preferred shares—5% cumulative redeemable, par value $20 each (of which 2,435 have been redeemed or purchased for cancellation)		
1,500,000	Common shares without nominal or par value		
Issued			
13,815	Preferred shares	276,300	276,300
609,250	Common shares (1971—509,250)	3,272,915	1,272,915
		3,549,215	1,549,215
Retained Earnings		632,753	843,644
		4,181,968	2,392,859
		$11,049,481	$ 3,397,918

The accompanying notes are an integral part of this balance sheet.

Belgium Standard Limited

Consolidated Statement of Earnings
For the Years Ended December 31, 1972 and 1971

	1972	1971
Revenue		
Waste management	$ 3,225,257	$ 583,219
Industrial products	1,961,253	1,756,263
Automotive aftermarket	2,302,882	1,871,496
	7,489,392	4,210,978
Gain on Sale of Securities	126,720	29,408
	7,616,112	4,240,386
Cost and Expenses		
Cost of sales	5,773,035	3,220,726
Selling, general and administrative	1,272,974	722,965
Depreciation	280,153	79,968
Amortization of deferred development costs	19,800	24,000
Interest on long-term debt	63,929	13,720
Interest on bank advances	38,230	28,637
	7,448,121	4,090,016
Earnings before Income Taxes	167,991	150,370
Income taxes	22,901	56,000
Net Earnings before extraordinary items (Note 11)	145,090	94,370
Extraordinary items (Note 13)	288,034	—
Net Earnings (Loss) (Note 11)	$ (142,944)	$ 94,370

Consolidated Statement of Retained Earnings
For the Years Ended December 31, 1972 and 1971

	1972	1971
Retained Earnings, beginning of year	$ 843,644	$ 762,855
Net earnings (loss)	(142,944)	94,370
Discount on preferred shares purchased for cancellation	—	240
	700,700	857,465
Dividends—preferred shares	13,815	13,821
Expenses of common share issue	54,132	—
	67,947	13,821
Retained Earnings, end of year*	$ 632,753	843,644

*of which $48,700 is designated as capital surplus in compliance with Section 62 of the Canada Corporation Act, and $7,899 is discount on preferred shares purchased for cancellation.

The accompanying notes are an integral part of these statements.

Belgium Standard Limited

Consolidated Statement of Changes in Working Capital

For the Years Ended December 31, 1972 and 1971

	1972	1971
Working Capital Increased by		
Operations		
Net earnings (loss)	$ (142,944)	$ 94,370
Depreciation and amortization	299,953	103,968
Deferred income taxes	(59,565)	—
Write off of deferred development costs	376,330	—
	473,774	198,338
Issue of common shares, less expenses	1,945,868	64,915
Issue of long-term debt	1,002,742	—
Purchase of subsidiaries—non-current portion	790,000	—
	4,212,384	263,253
Working Capital Decreased by		
Additions to fixed assets	497,816	78,948
Decrease in long-term debt	213,040	90,056
Deferred development costs	—	301,050
Purchase of preferred shares for cancellation	—	260
Dividends paid	13,815	13,821
Purchase of subsidiaries	3,921,733	147,240
	4,646,404	631,375
Decrease in Working Capital	434,020	368,122
Working Capital of Subsidiaries at Dates of Acquisition	92,991	137,487
Working Capital, beginning of year	1,293,717	1,524,352
Working Capital, end of year	$ 952,688	$ 1,293,717

The accompanying notes are an integral part of this statement.

Belgium Standard Limited

Notes to Consolidated Financial Statements
December 31, 1972

1. Principles of Consolidation

The consolidated financial statements include the accounts of the company and all its subsidiaries, all of which are wholly-owned except Dominion Disposal Limited, which is 80% owned.

During the year the company acquired Sanitary Refuse Collectors Inc., Helpert Supply (1962) Limited, United Supply Limited and the 80% interest in Dominion Disposal Limited. These acquisitions have been accounted for by the purchase method and the results of their operations are included from the dates of acquisition. Details of these acquisitions are as follows:

	Sanitary	Dominion	Helpert	United
Nature of business	Waste Management		Automotive	Aftermarket
Effective date of acquisition in 1972	August 31	June 30	October 31	November 30
Fair value of net tangible assets acquired	$ 843,193	($ 3,004)	$ 354,460	$ 498,914
Minority interest	—	601	—	—
	843,193	(2,403)	354,460	498,914
Excess of purchase price over fair value of net tangible assets acquired	1,969,299	4,144	145,540	108,586
Purchase consideration	$2,812,492*	$ 1,741	$ 500,000	$ 607,500

*See Note 6 re contingent consideration

2. Inventories

Inventories at December 31, are valued at the lower of cost (FIFO) and net realized value, and consist of:

	1972	1971
Finished goods	$1,405,377	$ 559,708
Work in process	130,576	184,504
Materials and supplies	539,460	471,845
	$2,075,413	$1,216,057

3. Deferred Development Costs

Development costs relating to the Pac-King refuse compaction programme which were incurred in 1970 and 1971 were originally deferred, to be amortized on the basis of sales over a period not exceeding five years. As the expected volume of sales has not yet been realized, the balance of the unamortized development cost at December 31, 1972 has been charged to earnings as an extraordinary item.

4. Bank Advances

The company and its subsidiary, Belgium Standard Industries (Ontario) Limited, have executed a joint and several floating charge debenture which creates a first floating charge upon the respective assets and undertaking of these two companies. Such debenture secured $503,000 of the bank advances reflected in the December 31, 1972 balance sheet.

5. Long-Term Debt

	1972	1971
Mortgages payable—at interest rates varying from 6% to 9¾%	$ 765,395	$ 81,355
Notes and purchase agreements payable—non-interest bearing	1,071,680	52,100
Liens payable—at interest rates varying from 10½% to 13%	984,750	87,500
	2,821,825	220,955
Less portion due within one year included in current liabilities	461,048	75,520
	$2,360,777	$ 145,435

The long-term debt is repayable approximately as follows:

Fiscal Years	Mortgages	Notes	Liens	Total
1973	$ 53,484	$ 27,590	$ 379,974	$ 461,048
1974	46,366	27,590	324,257	398,213
1975	49,879	11,200	214,139	275,218
1976	51,201	4,200	66,380	121,781
1977	56,292	1,100	—	57,392
Subsequent to 1977	508,173	1,000,000*	—	1,508,173
	$ 765,395	$1,071,680	$ 984,750	$2,821,825

*See Note 6 re contingent consideration

6. Contingent Consideration on Acquisition of Subsidiary

The balance payable re purchase of Sanitary Refuse Collectors Inc. bears no interest and is repayable in annual instalments 1974 to 1978 in the amount of the accumulated earnings (as defined) of Sanitary and each of its subsidiaries, during the calendar years 1973 to 1977 less the cumulative amount of $150,000 times the number of the said calendar years elapsed and all instalments paid in the period. Should the aggregate of such earnings for the 5 years ending December 31, 1977 be less than $1,250,000, no claim will be made for the final instalment of the purchase price.

7. Purchase of Subsidiaries—Non-Current Portion

Payable February 6, 1973 to be financed by the sale and leaseback of certain vehicles	$ 70,000
Payable February 6, 1973 to be financed by the proceeds of the issue of common shares of the company's capital stock	330,000
Non-interest bearing promissory notes to be issued February 6, 1973 payable in five equal annual instalments commencing February 6, 1974	390,000
	$790,000

8. Capital Stock

During 1972, 100,000 common shares were issued for a cash consideration of $2,000,000.

At December 31, 1972, 100,000 common shares were reserved for issuance against the exercise of share purchase warrants at $22 per share up to September 15, 1973 and at $24 per share until September 13, 1974, at which time the warrants expire.

At December 31, 1972, the company had an employees' incentive stock option plan under which 15,750 common shares were reserved for the granting of options at prices not less than the fair market value of the shares at the time the options were granted. At that date there were options on 10,000 shares granted at $15.00 per share (no change during the year) and expiring on August 19, 1973.

Belgium Standard Limited

9. Contingent Liability

The company and a subsidiary are defendants in a lawsuit commenced in the United States District Court, Southern District of New York, alleging unfair competition and unlawful termination of an agreement, seeking damages aggregating $7,000,000. Management believes these suits to be groundless and has served various counter claims and interrogatories, which have not been answered to date. Special United States counsel has advised that in their opinion the final outcome of the litigation should not result in substantial liabilities to the company or its subsidiary and accordingly no provision has been made in these accounts.

10. Subsequent Events

By Supplementary Letters Patent dated January 15, 1973, the authorized and issued common shares were sub-divided on a 2 for 1 basis.

In February 1973, 60,000 warrants were exercised for the issue of common shares of the company's capital stock for the consideration of $660,000.

11. Earnings per Common Share

			After Sub-Division Of Common Shares (Note 10)	
	1972	1971	1972	1971
Earnings per common share, before extraordinary items	$.25	$.16	$.13	$.08
Earnings per common share	($.29)	$.16	($.15)	$.08

Earnings per common share are based on the weighted average number of common shares outstanding during the respective fiscal years (1972—532,800 shares; 1971—502,658 shares).

Exercise of share purchase warrants and employees' incentive stock options outstanding would not dilute the earnings per common share.

12. Directors' and Officers' Remuneration

	1972		1971	
	Number	Amount	Number	Amount
Directors	5	$ 1,875	5	$ 2,000
Officers	3	60,000	3	55,000
Number of officers who are directors	3		3	

13. Extraordinary Items

Cost of unsuccessful attempt to acquire control of Shattuck Denn Mining Corporation	$ 82,153
Write off of deferred development cost, less applicable income taxes of $178,624	205,881
	$288,034

AUDITORS' REPORT

To the Shareholders of
Belgium Standard Limited

We have examined the consolidated balance sheet of Belgium Standard Limited and subsidiaries as at December 31, 1972 and the consolidated statements of earnings, retained earnings and changes in working capital for the year then ended. Our examination included a general review of the accounting procedures and such tests of accounting records and such other supporting evidence as we considered necessary in the circumstances.

In our opinion, these financial statements present fairly the financial position of the companies as at December 31, 1972 and the results of their operations and changes in their working capital for the year then ended, in accordance with generally accepted accounting principles applied on a basis consistent with that of the preceding year.

Toronto, Canada
March 22, 1973

Campbell, Sharp, Nash & Field
Chartered Accountants

Design:	Graphic Communications Inc.
Typography:	Fred F. Esler Ltd.
Photography:	Mike Haimes
Colour Separations:	Sanco Graphics Ltd.
Lithography:	Graphic Communications Inc.

...ted in Canada

TO THE SHAREHOLDERS

Consolidated net earnings of Baton Broadcasting Incorporated for the six months ended February 29, 1972 amounted to $1,336,433 or 45.1 cents per share. The basis of calculating earnings per share is set out in Note 1 to the financial statements.

Revenue from the sale of advertising time has continued the upward trend reflected in the first quarter of the year, particularly television revenues. The television company has experienced a 26.2% increase over the first half of the 1971 fiscal year, while radio sales during this period have increased by 10.3%. Broadcast orders covering the sale of advertising time for the third quarter of the year indicate a continuation of this upward trend.

After giving effect to the issue of 525,000 shares of the Company and the conversion of certain current indebtedness to term loans, the Company's working capital position has improved substantially. Fixed asset additions during the period include final payments on the studio and office addition to CFTO-TV Limited and progress payments on the construction of a new radio broadcast facility for CKLW Radio Broadcasting Limited. Your Company has also acquired a minority interest in La Rondelle Ltée., a Montreal company that holds controlling interest in Montreal Arena Company Limited.

JOHN W. H. BASSETT

President and Chairman of the Board.

BATON BROADCASTING INCORPORATED

INTERIM REPORT

For the six months ended Feb. 29, 1972

BATON BROADCASTING INCORPORATED

INTERIM FINANCIAL REPORT

(unaudited)

FOR THE SIX MONTHS ENDED FEBRUARY 29, 1972

CONSOLIDATED STATEMENT OF PROFIT AND LOSS

Revenue:	
Air time sales net of agency commissions and discounts	$ 8,401,169
Production revenue	3,386,872
Football operating income	1,899,352
	13,687,393
Operating expense	10,218,997
Operating profit before the following	3,468,396
Deduct:	
Depreciation	464,895
Interest expense (net of investment income)	368,206
	833,101
Net profit before income taxes	2,635,295
Income taxes	1,298,862
NET PROFIT FOR THE PERIOD	$ 1,336,433
Number of shares outstanding (note 1)	2,962,500
Net earnings per share	45.1¢

CONSOLIDATED STATEMENT OF SOURCE AND APPLICATION OF FUNDS

Source of funds	
Net earnings for the period	$ 1,336,433
Add: Charges not requiring cash outlay	
Depreciation	464,895
Deferred income taxes	320,000
Proceeds from issue of shares	5,675,250
Proceeds from term financing	3,500,000
	11,296,578
Application of funds	
Additions to fixed assets	454,880
Investment in other companies	1,629,597
Investments in motion pictures and theatrical productions	158,854
Organization expense	153,711
Retirement of long term debt	780,069
	3,177,111
Increase in Working Capital	8,119,467
Deficiency — September 1, 1971	(7,841,227)
Working Capital — February 29, 1972	$ 278,240

NOTES TO FINANCIAL STATEMENTS:

1. On December 2, 1971, the Company issued 525,000 common shares for an aggregate net amount of $5,675,250. The number of shares shown as outstanding is an average for the six month period.

2. The Company, through one of its subsidiaries, has entered into agreements to purchase a television station in Saskatoon, Saskatchewan, and radio stations in Saskatoon and Ottawa for an aggregate net purchase price of $4,300,000. These purchases are subject to the approval of the Canadian Radio-Television Commission.